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Financial reports and audited financial statements, and reports of the Board of Auditors

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ending 30 June 2002

Report of the Secretary-General

Addendum

Summary

The General Assembly, in paragraph 7 of its resolution 48/216 B of 23 December 1993, requested the Secretary-General to report to it at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, on measures taken or to be taken to implement those recommendations. Accordingly, the present report is submitted in response to the recommendations of the Board of Auditors, contained in its report on the United Nations peacekeeping operations for the 12-month period ending 30 June 2002.[1]

As most of the comments of the Secretary-General are duly reflected in the report of the Board of Auditors, for the most part, the present report addresses only those recommendations that require further comments from the Administration, particularly on issues related to deployment of accommodation units, procurement and contract management and fraud-prevention policy.

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I. Introduction

1. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions:

(a) Resolution 50/204 A of 23 December 1995 (in particular, para. 4, regarding implementation of the recommendations of the Board of Auditors);

(b) Resolution 51/225 A of 3 April 1997 (in particular, para. 10, regarding the timetable for the implementation of the recommendations of the Board of Auditors);

(c) Resolution 52/212 B of 31 March 1998 (in particular, paras. 2-5) and the note by the Secretary-General transmitting the proposals of the Board for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex);

(d) Resolution 56/233 B of 27 June 2002 (in particular para. 3), in which the General Assembly endorsed the recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions on the preparation of the report of the Secretary-General on the Board of Auditors report.

2. The response of the Administration to the recommendations of the Board of Auditors that fall under the responsibility of the Under-Secretary-General for Peacekeeping Operations are indicated in the table annexed to the present report. With regard to the recommendations contained in paragraphs 45, 69, 119, 139 and 198, additional comments are provided in the paragraphs below. The Assistant Secretary-General for Central Support Services also shares some responsibility for the implementation of the recommendations contained in paragraphs 119, 121 and 139 of the Board's report.

3. The recommendations that fall under the responsibility of the Assistant Secretary-General for Programme Planning, Budget and Accounts, the Controller, are contained in paragraphs 11 (c), (d), (f), (h) and 24 of the Board's report. The Controller has, however, indicated to the Board that, with regard to its recommendations on the Peacekeeping Reserve Fund and trust funds, accounts payable and contingent liabilities, those matters will all be presented to the General Assembly for its consideration at its resumed fifty-seventh session, as the collaboration of Member States is deemed to be necessary in all of those cases before further progress can be achieved. While a portion of the accounts payable was cleared during October 2002, the ability to clear all outstanding accounts payable is largely dependent on the timely payment of outstanding assessments by Member States.

4. Two of the Board's recommendations fall under the responsibility of the Under-Secretary-General for Internal Oversight Services and are contained in paragraphs 109 and 115, respectively, of the Board's report. The Office has agreed to the implementation of the first recommendation and has provided a response to the second recommendation in paragraph 116 of the Board's report.

5. Any further development or progress with regard to the implementation of the Board's recommendations will be reported to the General Assembly as and when required. That response is based on the assumption that all of the Board's

recommendations would be approved by the General Assembly at its current session.

II. Additional comments on the implementation of the recommendations contained in paragraphs 45, 69, 119, 139 and 198 of the report of the Board of Auditors

Value-added tax refunds

6. **In paragraph 45, the Administration agreed with the recommendation of the Board that it continue to pursue tax refunds with the authorities concerned and to negotiate for a tax exemption pursuant to the Convention on the Privileges and Immunities of the United Nations.**

7. Further to the comments provided to the Board and reflected in paragraph 44 of its report, the Administration remains equally concerned about the long-outstanding value-added tax refunds from Member States and an administrative authority. Following the request made by the Advisory Committee on Administrative and Budgetary Questions in its report (A/51/491), the Secretariat reviewed all instances of non-compliance with status-of-forces or other agreements and submitted a report to the General Assembly on the matter (A/56/789). The Secretariat and the missions will continue to pursue that issue with the concerned Member States and the administrative authority.

Provision of accommodation

8. **In paragraph 69, the Board recommended that the Administration comply with the directive on the deployment of accommodation units in a timely manner.**

9. In addition to the Administration's comments provided in paragraph 68 of the Board's report, every effort will be made in future to comply with the directive in a timely manner.

Transportation of non-United Nations personnel

10. **In paragraph 92 (e), the Board recommended that the Administration, together with the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), implement measures to address the deficiencies and non-performance identified in the provision of airfield services. In particular, the Administration should ensure that the contractor provides routine preventive and scheduled maintenance of all metal detectors, X-ray and other passenger-screening equipment.**

11. The Administration wishes to clarify that contractors are not tasked with the responsibility of providing routine preventative/scheduled maintenance of the metal detectors, X-ray and other passenger-screening equipment. MONUC is in the process of identifying an independent contractor to provide such services.

Furthermore, the Mission is planning to purchase additional screening equipment and will request a maintenance plan as part of the purchase agreement.

Procurement and contract management

Code of ethics and declaration of independence

12. **In paragraph 119, the Board recommended that the Administration expedite the promulgation and implementation of a code of ethics and the signing of declarations of independence.**

13. The observation of the Board that the functions performed by the staff of the Administration are but one phase of the procurement cycle is noted. However, the Procurement Division is of the view that any and all staff associated with the procurement cycle should sign declarations of independence, not just the Procurement Officers, and that liability and accountability should also be equally applied to all staff, as appropriate.

14. **In paragraph 139, the Board recommended that the Procurement Division ascertain the need for goods and/or services prior to registering vendors. Vendors should also be requested to submit the most recent financial statements for evaluation.**

15. The Procurement Division makes every effort to assess the relevance of the commodity or service offered by vendors applying for registration. Additionally, the Division refers companies that do not provide commodities and services of relevance to the Secretariat to other United Nations agencies and non-governmental organizations that may have a related requirement.

16. It should be pointed out that Member States have different financial cycles, reporting periods and mandatory reporting requirements, which are not necessarily in line with the January-February calendar cycle. Therefore, depending on the timing of the submission of applications, financial statements for the corresponding period may not necessarily appear to be the most up-to-date. That is especially true as applicants are naturally interested in expeditious registration to allow them to participate immediately in the bidding exercises.

Fraud and presumptive fraud

17. **In paragraph 198, the Board recommended the Administration develop and implement a formal fraud-prevention policy.**

18. The Administration takes note of the Board's recommendation to have a formal and comprehensive fraud-prevention and corruption policy in place. That would not only include the Department of Peacekeeping Operations and field missions, but would also encompass the entire United Nations, particularly in the functional areas involved in procurement activities. The Administration will review the matter and appropriate action will be taken. That notwithstanding, there are clear procedures for reporting cases of fraud and presumptive fraud in the Organization and they are routinely reported to the Controller and subsequently to the Board of Auditors. The Administration is also of the view that the existing internal control systems and the conduct of spot checks and compliance audits to ensure adherence with the

Organization's regulations, rules and policies, serve as effective fraud-prevention mechanisms.

19. Moreover, in an effort to heighten the awareness of the various guidelines, procedures and control mechanisms among staff, the Administration recently organized a seminar for staff of the Procurement Division and the Department of Peacekeeping Operations to discuss, inter alia, issues related to contract and procurement fraud. Pending the availability of funds, more follow-up seminars may be organized.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. II, chap. II.

Annex

*Recommendations of the Board of Auditors**	*Response of the Administration**
Paras. 11 (a) and 92 (h)	Para. 93
Paras. 11 (b) and 85 (d)	Para. 86
Para. 11 (e)	Para. 35
Paras. 11 (g) and 79 (e)	Para. 80
Para. 11 (i)	Para. 143
Para. 41	Para. 40
Para. 56	Para. 57
Para. 62	Para. 63
Para. 67	Para. 66
Para. 85	Para. 86
Para. 88	Para. 89
Para. 115	Para. 116
Para. 121	Para. 122
Para. 126	Para. 127
Para. 130	Para. 131
Para. 135	Para. 136
Para. 141	Para. 143
Para. 146	Paras. 147 and 148
Para. 155	Paras. 156 and 157
Para. 158	Para. 159
Para. 161	Para. 162
Para. 164	Paras. 165-169
Para. 170	Para. 171
Para. 173	Paras. 174 and 175
Para. 176	Para. 177
Para. 180	Para. 181
Para. 183	Para. 184
Para. 186	Para. 187
Para. 190	Para. 189

* See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. II, chap. II.